



Staff Report

REPORT ON PROPOSED FIRE SERVICES ASSESSMENT AND 10 YEAR BUDGET PROFORMA

Honorable President and Board Members:

Summary

The purpose of this report is to discuss the proposed fire services assessment preliminary results, highlight the key dates for the revenue measure, summarize the legal parameters for providing public information and transmit the 10 Year Budget Proforma for the new Belmont-San Carlos Fire Department.

Background

Subject to vote, state law authorizes a fire services assessment to be levied on property owners to pay for eligible fire suppression costs. The amount of the assessment is based on the amount of revenue the District desires to raise each year, the number of parcels in each land use category and the relative "special benefit" that each property type would receive. An Assessment Engineer does this calculation and issues what is called a *Fire Services Assessment Engineer's Report*, hereinafter referred to as the Engineer's Report.

In March, MuniFinancial Services was engaged to work on a fire services assessment revenue measure for consideration by the Belmont Fire Protection District and the City of San Carlos. MuniFinancial has now released its preliminary results.

Discussion

Fire Services Assessment Preliminary Results

MuniFinancial has issued its preliminary results in what will ultimately be incorporated into an Engineer's Report. Those results, embodied in separate reports for the Belmont Fire Protection District and the City of San Carlos, were presented to the South County Fire Commission at their last meeting held on May 31, 2006. The Commission discussed the reports at that meeting along with the 10 Year Budget Proforma and agreed to discuss the matter again prior to each agency taking action on the proposed fire services assessment.

MuniFinancial's preliminary results were based on national fire statistics from the National Fire Protection Association (NFPA), as well as service call and fire loss data from South County Fire Protection Authority (the preliminary results for Belmont is shown as Attachment A).

Using this data, the Assessment Engineer calculated the average property loss by property use category on a national basis (Table 3), the average loss per structure fire per category on a national basis (Table 4), the possible property loss by category using these averages (Table 5), the average property loss per structure fire (Table 6), fire service call data from 2002-05 (Table 7), a weighting of the Assessment Factors (Table 8), a fire suppression assessment budget (Table 9), assignment of the budget to the seven land use categories (Table 10) and, most importantly, the proposed fire assessment rates (Table 11). MuniFinancial calculated this last table using two different methodologies for commercial property. The first methodology allocated the assessment for commercial properties based on building square footage. The second methodology is based on number of parcels. The total amount raised by category is the same under either methodology.

Staff also requested that the Assessment Engineer provide the fire assessment rates for a range of additional fire suppression budgets ranging from \$1 Million to \$1.5 Million. This information is shown in the report on the last page.

The Assessment Engineer also provided a comparable analysis for the City of San Carlos. However, San Carlos did not have available the commercial square footage data, therefore only one fire assessment rate methodology is shown (Attachment B).

With regard to the next steps, once the Fire Services Assessment Engineer's Report has been approved, the District Directors will be asked to adopt a resolution of intent to bring the question of the proposed assessment to the property owners. This is done through a mail ballot and a protest hearing process.

In the ballot and protest hearing process, property owners receive ballots and can cast votes that are weighted in the amount of the proposed assessment (i.e. the higher the potential assessment amount, the more votes the property owner is given). On the date of the protest vote hearing, the City Clerk will tally the votes. If there is a majority opposed to the proposed assessment, it fails at that point. Otherwise, it proceeds forward to levy. At this point, the District Directors will vote to hand bill the property owners for the amount of the assessment (year 1) and then place the assessment on the property tax rolls (years 2 through 10). The hand billing process is required due to the timing of the proposed measure that is scheduled to be levied after the property tax billing deadline for fiscal year 2006-07.

Key Dates for the Proposed Fire Services Assessment

The following schedule shows a calendar of key dates for the fire services assessment process.

Assessment Calendar	
MuniFinancial prepares Resolution of Intent	July 3rd thru 7 th
San Carlos City Council Adopts Resolution of Intent	July 24 th
Belmont Fire Protection District Board Adopts Resolution of Intent	July 25 th
Community Outreach Begins	July 26 th
Assessment Ballots Mailed	August 10th
San Carlos City Council Holds Assessment District Protest Hearing	September 25th
Belmont Fire Protection District Board Holds Assessment District Protest Hearing	September 26th
San Carlos City Council Adopts Resolution Authorizing Assessment	October 9th
Belmont Fire Protection District Board Adopts Resolution Authorizing Assessment	October 10th

Legal Parameters Regarding Public Information

Staff consulted with the District's Attorney, Michael Colantuono, on this matter. In short, the District can, of course, provide neutral, balanced information about measures on the local ballot, election proceedings, and the like. Neither the District, nor its employees and officials, however, can use public resources (including email, telephones, faxes, copiers, etc.) to encourage a "yes" or a "no" vote on any measure or a vote for or against any candidate. The use of public resources for partisan political purposes is also forbidden under such cases as *Stanson v. Mott*, 17 Cal.3d 206 (1976).

As further discussed in the League of California Cities booklet entitled *Securing Voter Approval of Local Revenue Measures* (1999 edition), a public agency has a duty to explain, objectively and impartially, what the measure will do. Paraphrasing, the League suggests the following:

- Create informational materials that dispassionately present the facts. Both the consequences of passage and defeat should be stated, if not in equal length, then at least in equal prominence.
- Hire a consultant to help develop informational materials that present both sides.
- Keep the informational effort separate from the advocacy effort. Avoid individuals playing role as spokespersons in both efforts.
- Respond to inquiries and speaker requests as long as employees provide fair representation of the facts. Use fact sheets, talking points, and other standardized materials reviewed by District Attorney.

If desired, staff can provide a complete copy of the League's publication to the District Directors.

10 Year Budget Proforma

As you will note from the information in the proposed fire assessment rates (Table 11) and the summary that follows, the main variable that determines the proposed assessment rates is the amount of the fire suppression budget. In order to facilitate the analysis of this variable, a 10 Year Budget Proforma, or budget model, was developed for the Belmont-San Carlos Fire Department (shown as Attachment C).

Using Excel, the budget model asks for an assumption about annual revenue growth (set at 3%) and optional items that the member agencies may wish to fund from the proposed assessment (described here as "shopping cart" items). For San Carlos, an additional factor to cover the difference between paying today's 50/50 formula and the new 53/47 formula in the new JPA from assessment proceeds has been added. Once these assumptions and optional items are entered into the spreadsheet, the "F9" calculate key is used to recalculate the budget model and the needed assessment level in each District is determined. In addition to this worksheet, the Excel model includes three variations of the 10 Year Budget Proforma. Model 1 shows existing services (three engines and owned truck). Model 2 shows existing services (three engines and owned truck) plus amortizing the liabilities. Model 3 shows expanded services (four engines and outsourced truck) and reserve funding. The models are intended to show the "bookends" of likely options. Depending on the items included in the shopping cart, an infinite number of alternative budget models could be developed.

In summary, this tool is designed to facilitate reaching consensus regarding the assessment rates and the level of fire service as shown in the 10 Year Budget Proforma.

Lastly, the South County Fire Protection Authority's Fire Commission is scheduled to discuss the model at their June 28th meeting. The District Director's are encouraged to dialogue with their representatives on this matter before concluding their deliberations on this topic.

General Plan/Vision Statement

No impact.

Fiscal Impact

The report is provided for informational purposes only. The Notice of Intent proceeding will establish the fiscal parameters of the revenue measure. That meeting is scheduled to occur next month.

Public Contact

Staff Report was published on City's website. The City of San Carlos has been informed of this matter.

Recommendation

Staff recommends the District Board receive this report and encourage a dialogue with their representatives on this matter prior to their scheduled meeting with the Fire Commission on Wednesday night.

Alternatives

1. Give direction to the Belmont Fire Commissioners on a level of assessment and position on 10 Year Budget Proforma model.
2. Provide the Staff with alternative direction.

Attachments

- A. Belmont Proposed Fire Service Assessment Levels
- B. San Carlos Proposed Fire Service Assessment Levels
- C. 10 Year Budget Proforma (an *e-version* was previously transmitted)

Respectfully submitted,

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